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Supreme Court, U.S.
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No. 02-727

IN THE

# Supreme Court of the United States

TY INC.,

*Petitioner*,

v.

PUBLICATIONS INTERNATIONAL, LTD.,

*Respondent.*

**On Petition for a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit**

## BRIEF IN OPPOSITION

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## RULE 29.6 CORPORATE DISCLOSURE STATEMENT

Respondent, Publications International, Ltd., has no parent corporation and no publicly held company owns 10% or more of its stock.

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## RESPONDENT'S BRIEF IN OPPOSITION

For the following reasons, Respondent Publications International, Ltd. ("PIL") respectfully requests that this Court deny the Petition for a Writ of Certiorari, seeking review of the Seventh Circuit's opinion in this case.

## REASONS FOR DENYING THE PETITION

The question presented by the Petition, albeit in a somewhat more convoluted fashion, is whether the Seventh Circuit erred in holding (1) that the four statutory fair use factors set forth in 17 U.S.C. § 107 are "irrelevant as a matter of law," and (2) that the fair use doctrine provides the privilege "to use as much copyrighted material as is necessary to compete in the marketplace against copyrighted works or licensed derivatives." Pet. at i. Petitioner claims that these holdings conflict both with this Court's precedent and the precedent of various of the circuit courts. Pet. at 12-14. The fundamental problem with the Petition, however, is that these alleged holdings are nowhere to be found in the Judge Posner's opinion for the Seventh Circuit; they are a figment of Petitioner's imagination, created from scraps of dicta and analyses taken out of context.

Contrary to Petitioner's repeated representations, the Seventh Circuit did not announce a new fair use standard as a matter of law, supplanting the statutory factors with a new "marketability" test of general application. Nor did the court even find that the collectors' guides at issue made fair use of Petitioner's works.[1] Instead, the court rendered a

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1 Certainly, the court did not, as Petitioner represents, find that one of PIL's books "could probably be deemed infringing on summary judgment." Pet. at 8. Examination of the court's opinion at the locations cited by Petitioner for this inaccurate claim shows that the court properly

rather unremarkable decision: that Respondent raised sufficient factual questions on the issue of fair use so that fair use could *not* be decided as a matter of law in this case. In doing so, moreover, the court correctly cited and considered the statutory fair use factors in light of the remainder of § 107 as well as the established purpose and principles of the fair use doctrine.

Also missing from the Seventh Circuit's opinion is the holding, alleged by Petitioner, that fair use allows any copying necessary for a party to compete in the market against the copyrighted work or licensed works. Instead, the court merely noted the obvious: if fair use allows, as it must, a certain amount of copying for the criticism and commentary purposes of a collectors' guide, it must allow as much as is necessary to make the guide marketable. It makes little sense to say that a collectors' guide may make fair use of a copyrighted work for commentary and criticism, but may only copy enough to produce a guide that nobody will purchase or read.

Thus, the Seventh Circuit's opinion below does not raise the questions presented by the Petition; the fair use analysis therein is proper and conflicts neither with the precedent of this Court nor the precedent of any circuit court. The interlocutory nature of the court's ruling further militates against review by this Court at this time. The

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refused to find any of the ten publications at issue to be infringing. Pet. App. at 19a. The court merely stated that one of the ten versions seemed to have less of a commentary or criticism component, and so did not preclude a partial summary judgment on remand for that one version, noting that such a judgment "might be possible." Pet. App. at 18a. There is a large semantic and legal difference between "might be possible," as the court of appeals wrote, and "could probably be," as Petitioner falsely presented the court's statement.

Respondent respectfully urges this Honorable Court to deny the Petition for a Writ of Certiorari.

## I.
## THE SEVENTH CIRCUIT'S DECISION DOES NOT RAISE THE QUESTION PRESENTED

### A. The Court Did Not Hold That the Statutory Fair Use Factors Are Irrelevant as a Matter of Law

Petitioner's argument is premised upon it's repeated claim that the Seventh Circuit failed to consider the four, non-exclusive fair use factors enumerated in Section 107 of the Copyright Act. Examination of the court's opinion, including the excerpts quoted in the Petition, plainly shows that the Seventh Circuit correctly cited the four factors as a necessary component of the fair use analysis and considered those factors in this case. More importantly, the Seventh Circuit's analysis is steeped in the purposes of fair use and is firmly anchored in the fundamental principles of copyright law that underpin the fair use defense.

As this Court has recognized, copyright law has from its infancy recognized fair use as an absolute defense to a claim of copyright infringement. *See, e.g., Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575 (1994). From the enactment of the first federal copyright statute, in 1790, until the enactment of the Copyright Act of 1976 (the '76 Act), the doctrine of fair use was absent from the operative statutes, but was recognized and developed as an equitable rule of reason by the courts on a case-by-case basis. *Id.* at 576. The doctrine recognizes that in some instances, copyright's constitutional mandate to promote the progress of the sciences requires that the public be allowed to make use of a copyrighted work, notwithstanding the owner's exclusive rights. *Id.* at 575.

With the passage of the '76 Act, Congress for the first time expressly endorsed the long-standing doctrine of fair use by including § 107 in the Act. Congress did not, as Petitioner inaccurately asserts, "codify" fair use, Pet. at 12, but instead "legislatively endorsed" the doctrine. *Sony Corporation of America v. Universal City Studios, Inc.*, 464 U.S. 417, 448 (1984). The difference is significant: by legislatively endorsing fair use, Congress recognized the long tradition of ad-hoc judicial application of the doctrine and the great degree of discretion granted the courts for precisely that purpose. *Id.* at 448-49 & n.31. In particular, the House Report explained:

> [a]lthough the courts have considered and ruled upon the fair use doctrine over and over again, no real definition of the concept has ever emerged. Indeed, since the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts . . .

H.R. Rep. No. 94-1476, p.65 (1976).

From this history of judicial discretion, Congress distilled four of the factors most commonly considered in adjudicating the issue of fair use and included those factors in § 107 as an *illustrative* but nonexhaustive guide. *Id.* "Congress meant § 107 'to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way' and intended that the courts continue the common-law tradition of fair use adjudication." *Campbell*, 510 U.S. at 577 (quoting H.R. Rep. No. 94-1476, at 66). Far from presenting the four factors as a new, mechanically applicable test supplanting the traditional flexibility of fair use analysis, Congress meant to preserve the wide

discretion of the courts and made clear that the factors were meant to serve the principles of fair use, not vice-versa:

> The statement of the fair use doctrine in section 107 offers some guidance to users in determining when the principles of the doctrine apply. However, the endless variety of situations and combinations of circumstances that can rise in particular cases precludes the formulation of exact rules in the statute. . . . Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis.

H.R. Rep. No. 94-1476, at 66.

Petitioner wishes to have the tail wag the dog, complaining that the Seventh Circuit's fair use analysis focused on the "purpose of the [fair use] doctrine rather than its statutory definition." Pet. at 9 (quoting Pet. App. at 15a). This complaint, however, is based upon a false dichotomy. The statutory factors were never meant to trump the purpose and principles of fair use; they were meant to be complementary.

Consistent with Congress's intent, the Seventh Circuit began its analysis with an exposition of the general purpose and principles of fair use. Pet. App. at 5a-8a. The court, using the examples of book reviews and parodies, focused on the doctrine's (and the text of § 107's) treatment of criticism and commentary as being paradigmatic fair use purposes. The court also noted that works of criticism and comment generally make complementary (or transformative, in first factor terms), as opposed to

substitutional (or superseding, in first factor terms) use of the underlying work. Pet. App. at 6a-8a.

The Seventh Circuit next analyzed the specific facts of this case in light of the purpose and principles of fair use, finding that, while it was a "fact-laden issue" inappropriate for disposition on Petitioner's motion for summary judgment, a reasonable jury could certainly find that PIL's collectors' guides were works of criticism and commentary, similar to book reviews or parodies. Pet. App. 8a-13a. Having found that PIL's guides could be considered commentary and criticism, the court next noted that fair use precludes a copyright owner from monopolizing any market for such criticism or commentary, and that therefore any alleged economic harm to that market is irrelevant to the fair use analysis. Pet. App. at 13a. Summing it up, the court noted:

> Indeed, a collectors' guide is very much like a book review, which is a guide to a book and which no one supposes is a derivative work. Both the book review and the collectors' guide are critical and evaluative as well as purely informational; and ownership of a copyright does not confer a legal right to control public evaluations of the copyrighted work.

*Id.*

Having determined that PIL's collectors' guides, as forms of criticism and commentary, could not cause any economic harm recognized by the Copyright Act, the court noted that the fair use determination turned upon "whether PIL copied more than it had to in order to produce a marketable collectors' guide." *Id.* On this score, the court noted that in order to effectively comment on the beanie

babies (which are, after all, visual works), a collectors' guide needs to use photographs of the beanie babies, and needs to be exhaustive. Thus, the fact that PIL used photographs of every beanie baby in existence (each separately registered, it should be noted) did not preclude a finding of fair use. Pet. App. at 13a-15a.

Although it had already performed the analysis, described above, relevant to the four statutory fair use factors set out in § 107, the court next turned to the specific statutory language of the factors. Applying that language to the specific facts of this case, the court simply found that certain of the factors did not add anything helpful to the analysis that had already been considered based upon the purpose and principles of fair use.

In its consideration of the statutory text, the Seventh Circuit quoted the four factors, verbatim, and indeed quoted almost the entire text of Section 107. Pet. App. at 15a-16a. The court made clear that the four factors had to be considered as part of the fair use analysis, quoting the statutory language that "factors to be considered *shall include*" the four factors. Pet. App. at 15a (emphasis added).[2] After quoting the statutory factors, the Seventh Circuit proceeded to consider the statutory language in light of the specific facts of this case, as well as the extensive analysis already considered by the court earlier in the decision.

1. The first factor. The court found the general language of the statutory text of the first factor, the purpose

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2 The mere fact that the court did correctly cite and consider the factors, even if the court had somehow misapplied the factors (which the court did not), should be fatal to the Petition. Supreme Court Rule 10 ("A petition for a writ of certiorari is rarely granted when the asserted error consists of . . . the misapplication of a properly stated rule of law").

and character of the use, to be unhelpful other than to express a preference for non-commercial works. Pet. App. at 16a. Petitioner argues that in doing so, the court "refused to give credence to the *fact* that this factor weighs against a finding of fair use." Pet. at 15 (emphasis added). This argument fails for at least two reasons.

First, the court had already extensively reviewed the first factor in determining that a reasonable jury could find PIL's collectors' guides were works of commentary and criticism, a fact highly relevant to, if not dispositive of, the first factor. Pet. App. at 8a-13a. In light of this determination and this Court's admonition in *Campbell*, it is unsurprising that the court found the commercial nature of PIL's guides to be of little importance.

As this Court has made clear, the commercial or non-commercial educational purpose of a work is only part of the first factor inquiry, and is of especially little importance where the use is for the purpose of "news reporting, commentary, criticism, teaching, scholarship, and research, since these activities 'are generally conducted for profit in this country.'" *Campbell*, 510 U.S. at 584 (1994)(quoting *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 592 (1985)(Brennan, J., dissenting)).

In this case, the Seventh Circuit noted extensive elements of criticism and commentary in PIL's collectors' guides, analogizing their relationship to Petitioner's works to the relationship between book reviews and books. Pet. App. at 8a-13a. Thus, the court considered the commentary and criticism purposes of the collectors' guides, and considered their commercial nature. Indeed, all of the court's fair use analysis is informed by its recognition that the collectors' guides are works of commentary and criticism, including the court's determination that the commercial nature inquiry of the first factor is "empty" on

the facts of this case. This is all that is required of the Court by the Copyright Act.

Second, regarding Petitioner's characterization as a "fact" that the first factor weighed against a finding of fair use, the court purposefully refused to make the determination that this factor, in isolation, weighed against a finding of fair use. Positing the contrary conclusion as a purported "fact" provides no support for the proposition that the court failed to consider the first factor; it does nothing more than state that Petitioner disagrees with the court's consideration. Where, as here, there has been a remand for trial, it is certainly not yet a "fact" that the first factor weighs in either party's favor.

2. The Second Factor. The Seventh Circuit also found the second factor, the nature of the copyrighted work, to be of little importance as applied to the facts of this case. Pet. App. at 16a. As with the first factor, Petitioner's real problem with the court's decision is not that the Seventh Circuit failed to consider the second factor, but that Petitioner disagrees with the court's determination of the weight to be given that factor as applied.

Also similar to the court's first factor inquiry, it is unremarkable that the Seventh Circuit would find the second factor to be of little importance once it recognized the criticism and commentary purpose of the collectors' guides. As this Court has explained in the context of parody, another form of criticism and commentary, the second factor "is not much help in this case, or ever likely to be of much help in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copy publicly known, expressive works." *Campbell*, 510 U.S. at 586. Similar to parodies, the criticism and commentary of collectors' guides are routinely directed at works of creative expression. The Seventh Circuit's

refusal to weigh this factor against a finding of fair use is both unremarkable and correct.

3. The Third Factor. The court next turned to the third factor, the amount of the copyrighted work copied in relation to the purpose of the use. Noting Petitioner's complaint that PIL's collectors' guides contained photographs of each entire Beanie Baby, the court found this to be of little importance. Pet. at 16. The court based its conclusion on the commonsense fact that a collectors' guide for a collection of visual works such as Petitioner's sculptures needs to use photographs of the entire object, and must be comprehensive, in order to effectively comment on the object. Pet. App. at 13a-16a. Based upon this obvious proposition, the court found that the mere fact that PIL used photographs of the front of each entire Beanie Baby did not, as a matter of law, weigh against a finding of fair use. Pet. App. at 16a.

Petitioner acknowledges that copying a work in its entirety does not preclude a finding of fair use. Pet. at 16, n.3. Thus, it appears that even Petitioner admits that the Seventh Circuit correctly considered the third factor, but again takes issue with the outcome of that consideration, complaining that the court "radically redefin[ed] the inquiry as turning on whether the copying went further than necessary to produce a 'marketable' product." Pet. at 17. This supposed "radical redefinition" is nothing more than an obvious clarification. As noted above, this Court has recognized that criticism and commentary is usually done for profit. Fair use would amount to a sham if it allowed only the amount of copying necessary to produce an *un*marketable work of criticism and commentary. No doubt this is a result that Petitioner would welcome, but it is repugnant to the history and purposes of the fair use privilege and the Copyright Act.

4. The Fourth Factor. Finally, turning to the fourth factor, the effect of the use upon the potential market for or value of the copyrighted work, the Seventh Circuit referred back to the earlier part of its opinion, in which it repeatedly noted that criticism and commentary such as that in book reviews and PIL's collectors' guides made complementary use of copyrighted works, as opposed to substitutional use of the works, and was therefore likely to increase, rather than decrease, the value of the works. Pet. App. at 5a-9a, 16a.

The court also noted that even to the extent *criticism* of a work may diminish sales of that work, such harm is not recognized under the fourth factor. Pet. App. at 16a. This is equally true of any alleged harm to the market for "licensed" collectors' guides, which Petitioner claims is a derivative market for its copyrighted Beanie Babies.[3] As the Seventh Circuit recognized and this Court has noted in the context of the fourth factor, however, "there is no protectable derivative market for criticism." *Campbell*, 510 U.S. at 592. Nor can Petitioner gin up such a market by forcing small publishers to pay licensing fees for their fair use collectors' guides under threat of expensive litigation. *See Castle Rock Entertainment, Inc. v. Carol Publishing Group*, 150 F.3d 132, 145 n.11 (2d Cir. 1998).

As shown above, the Seventh Circuit did not hold that the four statutory fair use factors are irrelevant as a matter of law, or otherwise fail to consider those factors. Instead, the court engaged in a classical fair use analysis, recognizing that there was at least a question of fact as to whether PIL's collectors' guides were works of commentary

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3 Notably, Petitioner failed to introduce *any* evidence of actual harm to sales of its "licensed" collector's guides.

and criticism, the heartland of fair use, and therefore found that none of the arguments advanced by Petitioner mandated a finding of no fair use as a matter of law. Upon close examination, Petitioner's real complaint is not that the court failed to consider the four factors, but that the court did not weigh the factors, individually, in the manner urged by Petitioner. This Court has warned, however, that the factors are not to be treated this way, "in isolation, one from another." *Campbell*, 510 U.S. 569, 578. The first part of the question presented by the Petition is, therefore, not supported by the Seventh Circuit's opinion.

### B. The Court Did Not Hold That Fair Use Allows Any Amount of Copying Necessary To Compete Against the Copyrighted Work In the Market

Petitioner repeatedly asserts that the Seventh Circuit replaced the statutory factors with a new bright-line, categorical rule that allows *any* claimed fair use that competes in the market against a copyrighted work (or derivative works based thereon) to copy as much of the protected work as is necessary to create a marketable product. Pet. at i, 19-20. As noted above, the first part of this characterization (that the court ignored the statutory factors) is simply untrue. Turning to the alleged replacement test, Petitioner does not offer a single citation to the court's opinion showing where the court created this phantom test. Upon examination of the opinion, the reason for this lack of citation becomes evident: the phantom test is not a creation of the Seventh Circuit, but is a straw man, cobbled together by Petitioner from bits of dicta and analyses taken out of context.

As discussed above and as Petitioner admits (at least in one part of its Petition), the Seventh Circuit's focus on the marketability of PIL's collectors' guides is relevant to the

third factor – did PIL copy more than was necessary to achieve its criticism and commentary purpose. Pet. at 17. The court's focus on marketability is not a radical expansion of fair use; it merely states the obvious. A work of criticism and commentary can hardly be said to have achieved its purpose if it is unmarketable and nobody reads it.

Nothing in the court's opinion, moreover, expands this question of marketability into a bright line rule applicable to any use that competes with the copyrighted work or derivatives. Rather, on the specific fact of this case the court held that a reasonable jury could find that PIL's collectors' guides were works of commentary and criticism, and therefore could reasonably find the guides to be fair use of Petitioner's stuffed animals if PIL used no more photographs of the stuffed animals than necessary to create a viable work of commentary and criticism. Thus, the second part of the question presented by the Petition is not supported by the Seventh Circuit's opinion.

## II.
## THE SEVENTH CIRCUIT'S DECISION DOES NOT CONFLICT WITH THIS COURT'S PRECEDENT OR THE PRECEDENT OF THE VARIOUS CIRCUITS

In an attempt to create the illusion of worthiness for certiorari and distract this Court's attention from the fact that the opinion below was an unremarkable denial of summary judgment on fair use, Petitioner asserts that the court's opinion creates a conflict among the courts. This assertion, which takes up the vast bulk of the Petition, is easily disposed of.

Petitioner's claim that the Seventh Circuit's opinion conflicts with the precedent of this Court and of the various circuit courts is based entirely on the premise that the Seventh Circuit failed to analyze the statutory fair use

factors. Pet. at 12-23. Petitioner therefore plods on for eleven pages, citing case after case in which courts have analyzed the statutory factors in making a fair use determination. As demonstrated above, however, the Seventh Circuit *did* consider the statutory factors; Petitioner's premise is thus entirely false and unsupported by the court's opinion. The opinion below simply does not conflict with any of the cited cases on this point.

## III.
## THE INTERLOCUTORY NATURE OF THE SEVENTH CIRCUIT'S DECISION MILITATES AGAINST GRANTING THE PETITION

While not dispositive, this Court has long followed the general rule that it "should not issue a writ of certiorari to review a decree of the circuit court of appeals on appeal from an interlocutory order, unless it is necessary to prevent extraordinary inconvenience and embarrassment in the conduct of the cause." *American Construction Co. v. Jacksonville, T. & K.W. Railway Co.*, 148 U.S. 372, 384 (1893). Indeed, the lack of finality of the judgment below may, alone, be a sufficient ground to deny the writ of certiorari. *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 258 (1916).

In this case, the Seventh Circuit did not decide the issue of fair use. Instead, noting the complexity of the factual record (which necessitates fair use analysis of ten different versions of three different publications), the court reversed the district court and held that sufficient questions of fact were raised to warrant giving the question of fair use to the jury. Pet. App. at 9a, 19a. The case was thus remanded for further proceedings. *Id.* Without having any final judgment on fair use, this case is not in an appropriate posture for grant of the Petition.

## CONCLUSION

For the foregoing reasons, Respondent respectfully requests that this Honorable Court deny the Petition.

Respectfully submitted,

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